

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Market Regulation,

Complainant,

v.

John Joseph Vaughan (CRD No. 1495636),

Respondent.

Disciplinary Proceeding
No. 20120318775-01

COMPLAINT

The Department of Market Regulation alleges:

Summary

1. In connection with an investigation being conducted by the Department of Market Regulation (“Market Regulation”), Respondent John Joseph Vaughan (“Respondent” or “Vaughan”) refused to appear and provide testimony as requested by Market Regulation staff (the “staff”). As a result of the foregoing, Vaughan violated FINRA Rules 8210 and 2010.

Respondent and Jurisdiction

2. Vaughan first became employed in the securities industry in a registered capacity with a FINRA member firm in May 1985. Vaughan continued in the industry and was last registered with FINRA member HFP Capital Markets LLC (“HFPC” or the “firm”) from July 11, 2011 through April 1, 2013, when the firm filed a Form U5 terminating his registration.

3. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to

Article V, Section 4 of FINRA's By-Laws, because: (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with HFPC, namely, April 1, 2013, and (2) the Complaint charges him with failing to appear for testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

Statement of Facts

4. In or about October 2012, the staff commenced an investigation of HFPC for potential violations of FINRA's fixed income best execution rules. According to filings with the Central Registration Depository System ("CRD"), Vaughan was the firm's Compliance Manager during relevant periods of the staff's investigation.

5. Accordingly, in connection with its investigation, on June 19, 2014, the staff sent Vaughan a written request that he appear for testimony at FINRA's offices in Rockville, Maryland, on July 7, 2014, pursuant to Rule 8210. The written request was sent to Vaughan via United States Certified Mail, Return Receipt Requested, at Vaughan's last known address as reflected in CRD. Vaughan signed for the letter on June 23, 2014.

6. Vaughan responded to the staff's Rule 8210 request telephonically on June 25, 2014, with a voicemail indicating that it would be difficult for him to appear for testimony, but indicated that he was willing to discuss the matter further.

7. On June 25, 2014, the staff called Vaughan who indicated that he was willing to be interviewed by FINRA, but stressed the hardship that coming to FINRA's Rockville office presented and indicated a willingness to be interviewed telephonically or in person in New York City.

8. The staff left Vaughan a voicemail on June 27, 2014, rescheduling his testimony for July 18, 2014, in FINRA's office in New York City, as he had requested.

9. Vaughan left a voicemail for the staff on June 30, 2014, indicating that he was unavailable on July 18, 2014.

10. On July 1, 2014, the staff spoke to Vaughan telephonically and modified the Rule 8210 request to require that he appear for testimony on August 8, 2014, at FINRA's offices at One Liberty Plaza in New York City. On that call, Vaughan confirmed that he would appear for testimony as requested.

11. On July 31, 2014, the staff left Vaughan a voicemail confirming the time and location of the August 8, 2014 testimony.

12. On August 3, 2014, Vaughan sent the staff an email indicating that he was "advised by counsel not to participate in the August 8, 2014 on the record interview, therefore [he would] not be attending." Vaughan further requested that all communications be conducted in writing by email or "US post as phone calls will not be honored."

13. On August 4, 2014, the staff emailed Vaughan explaining that his failure to appear for testimony could result in him being barred from the securities industry and requesting the contact information of his attorney, if represented, so that the staff could engage counsel in discussions. Vaughan did not respond to the staff's August 4, 2014 email.

14. The staff called Vaughan on August 6, 2014, to determine whether he was represented by counsel and, if so, to obtain the contact information for his attorney. Vaughan stated that all communications should be in writing and hung up.

15. The staff followed up the August 6, 2014, call with an email the same day reiterating the staff's request for the name and contact information of his attorney. Vaughan did not respond to that email.

16. On August 7, 2014, the staff sent a letter to Vaughan stating that he was required to appear for testimony on August 8, 2014 pursuant to FINRA Rule 8210. In addition, the letter detailed the steps the staff had taken to contact him and requested that Vaughan respond by August 13, 2014, with: "(i) the name and contact information of [his] counsel, (ii) a statement that [he was] not represented by counsel, or (iii) a statement that [he was] seeking to engage an attorney to represent [him] in this matter."

17. The August 7, 2014, letter was mailed via United States First Class Mail and Certified Mail, Return Receipt Requested, and sent via Federal Express to Vaughan at his last known address as reflected in CRD.

18. The August 7, 2014, letter sent via Federal Express was delivered on August 11, 2014.

19. The August 7, 2014, letter sent by United States Certified Mail was returned to the staff by the United States Postal Service unopened.

20. Vaughan did not appear and provide testimony on August 8, 2014, as requested by the staff.

21. Vaughan also has not responded to the staff's August 7, 2014 letter.

22. On August 15, 2014, the staff again called Vaughan and left a voicemail again reiterating that the staff needed to obtain the contact information, if any, of his counsel and asked that he return the call. Vaughan did not respond to that voicemail.

23. To date, Vaughan has failed to appear for and provide testimony in accordance with the staff's Rule 8210 request.

**FIRST CAUSE OF ACTION
Failure to Respond to Rule 8210 Requests
(FINRA Rules 2010 and 8210)**

24. Market Regulation realleges and incorporates by reference all preceding paragraphs.

25. As a result of the foregoing misconduct, Vaughan violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Market Regulation respectfully requests that the Panel:

- A. make findings of facts and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- C. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. grant all further relief, legal or equitable, that is warranted under the circumstances.

FINRA DEPARTMENT OF MARKET REGULATION

Date: March 18, 2015



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